



# San Diego City Attorney **MICHAEL J. AGUIRRE**

## **NEWS RELEASE**

**FOR IMMEDIATE RELEASE: July 11, 2006**

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### **CITY ATTORNEY INITIATES INVESTIGATION INTO ALLEGED VIOLATIONS OF FALSE CLAIMS ACT BY KROLL, INC AND SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM**

**San Diego, CA :** San Diego City Attorney Michael Aguirre announced today that his office is initiating a mandatory investigation into alleged violations of the State of California's False Claims Act by both Kroll Inc., and the San Diego City Employees' Retirement System (SDCERS) in separate actions. The False Claims Act prohibits the knowing presentation to the City of a false claim for payment or approval. It also requires the City Attorney to "diligently investigate" alleged violations of the Act, (Government Code Section 12652 (b)(1).

"The False Claims Act is a tool to protect taxpayers from exploitation," said City Attorney Michael Aguirre. "The City has paid Kroll in excess of \$20 million and we have nothing to show for it, not even itemized billings."

Kroll Inc. is a risk management firm hired by the City of San Diego in February 2005 to analyze conflicting pension investigative reports by the law firm of Vinson & Elkins and the San Diego City Attorney. Since that time, Kroll has expanded its investigation without authority and has missed stated deadlines for completion of its work. Kroll's actions were formally criticized in the City Attorney's *Interim Report #8 on Kroll's Breach of Duties Owed to the City of San Diego* and strongly denounced by San Diego Mayor Jerry Sanders in a statement to the City Council this afternoon, which characterized the actions of Kroll as "holding the city hostage."

SDCERS' continued claims for payment of alleged illegal pension benefits which were granted in 1996 and 2002, may fall under the same statute.

The False Claims Act (Government Code Section 12651) investigation will cover any person who:

- 1) Knowingly presents or causes to be presented to an officer or employee of the state or of any political subdivision thereof, a false claim for payment or approval.
- 2) Knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the state or any political subdivision.
- 3) Conspires to defraud the state or any political subdivision by getting a false claim allowed or paid by the state or any political subdivision.

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- 4) Has possession, custody, or control of public property or money used or to be used by the state or by any political subdivision and knowingly delivers or causes to be delivered less property than the amount for which the person receives a certificate or receipt.
- 5) Is authorized to make or deliver a document certifying receipt of property used or to be used by the state or by any political subdivision and knowingly makes or delivers a receipt that falsely represents the property used or to be used.
- 6) Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property.
- 7) Knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the State or to any political subdivision.
- 8) Is a beneficiary of an inadvertent submission of a false claim to the state or a political subdivision, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the state or the political subdivision within a reasonable time after discovery of the false claim.

The False Claim Act subjects violators to treble damages, cost of the civil action, and civil penalties of up to \$10,000 for each false claim.

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